

Addendum to Fixed Income Advisor RFP 04-02-07

Page 26 Section B is amended to read:

B. MINIMUM REQUIREMENTS

To be considered as an Advisor for the purpose stated above, Advisor must meet the following minimum requirements:

1. Must have provided full investment consulting services to clients with aggregate assets totaling at least \$5 billion, having at least one public sector client with at least \$5 billion in assets and must have a minimum five (5) year track record providing investment advisory services to public or private funds, endowments, foundations or pensions; or HAVE HAD direct experience in managing the investments of public or private funds, endowments, foundations or pensions of comparable size.



Arizona State Treasurer's Office
1700 W Washington
Phoenix, AZ 85007

Performance Evaluation of Investment Pools and Arizona Endowment Fund (2003-2006)

Request for Proposal

Issued: **April 2, 2007**

Due: **April 23, 2007**

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OFFICE OF THE ARIZONA STATE TREASURER

Request for Proposal

Performance Evaluation of Investment Pools and Arizona Endowment Fund

The Arizona State Treasurer's Office (ASTO) is seeking Request for Proposals for the purpose of hiring one (1) financial investment consulting and advisory firm to conduct a performance evaluation of the Office's investment pools and the Arizona Endowment Fund for the period of January 2003 through December 2006. The ASTO is under new management and as part of its review of all ASTO operations desires to have a qualified firm review the past performance of the investment pools and Arizona Endowment Fund. The advisory firm will also provide evaluation and review of the current asset allocation and re-balancing strategies and provide strategic advice on modifications to existing strategies.

This document constitutes a request for proposal via competitive sealed proposals, from qualified organizations to perform the Scope of Work set forth herein.

Any firm qualified to provide technical advisory and/or consulting services as outlined in the Scope of Work is hereby invited to submit a proposal to provide services as contained in this Request for Proposal and by virtue of its proposal agrees to abide by all terms and conditions contained herein. The firm meeting the qualifications set forth herein and submitting the proposal demonstrating the highest value to the State of Arizona, shall be designated as the contractor.

The firm will be under contract by the State Treasurer for the period of May 15, 2007 through October 31, 2007. All formal inquiries or requests for significant or material clarification or interpretation must be directed in writing or by e-mail to: Mark Swenson, Deputy Treasurer – Strategic Planning and Research, Arizona State Treasurer's Office, 1700 West Washington, Phoenix, Arizona 85007, marks@aztreasury.gov.

OFFER AND ACCEPTANCE

Offer

The undersigned hereby offers and agrees to furnish the material, service or construction in compliance with all terms, conditions, scope of work and amendments to the solicitation.

By: _____

Title _____

Company _____

Date _____

By signature in the offer section above, the Offeror certifies:

1. The submission of the offer did not involve collusion or other anti-competitive practices.
2. The Offeror shall not discriminate against any employee or applicant for employment in violation of Federal Executive Order 11246, State Executive Order 99.4 or A.R.S. 41-1461 through 1465.
3. The Offeror has not given, offered to give, nor intends to give at any time hereafter any economic opportunity, future employment, gift, loan, gratuity, special discount, trip, favor, or service to a public servant in connection with the submitted offer. Failure to provide a valid signature affirming the stipulations required by this clause shall result in rejection of the offer. Signing the offer with a false statement shall void the offer, any resulting contract and may be subject to legal remedies provided by law.

Acceptance

The Offer is hereby accepted.

Office of the State Treasurer

By: _____

Title _____

Date _____

SPECIAL INSTRUCTIONS TO OFFERORS

1 Proposal Submittals

Proposals are due at the address listed below on or before 2:00 p.m. (MST) on Monday April 23, 2007. Responses must include an original plus four (4) additional copies that will be used in the evaluation process. The original copy of the proposal should be clearly labeled "ORIGINAL". The material should be in sequence and related to the Request for Proposal. In addition, the firm must provide a complete electronic version of the proposal via e-mail to marks@aztreasury.gov or on a CD. The firm's name must appear in the e-mail title (i.e., XYZ Advisor response to RFP) or be visibly printed on the CD. Proposals received after the date and time specified herein will not be considered. Proposals shall be opened publicly at the time and place designated on the cover page of this document. The name of each Offeror shall be read publicly and recorded. All other information contained in the proposals shall be confidential. Prices will **NOT** be read. Proposals will not be subject to public inspection until after contract award. Proposals shall be irrevocable offers for sixty (60) days after the due date.

Office of the State Treasurer
Attn: Mark Swenson, Deputy Treasurer – Strategic Planning & Research
1700 W. Washington
Phoenix, AZ 85007

2 Evaluation

Award shall be made to the responsible Offeror whose proposal is determined in writing to be the highest value to the State and conforms to the requirements and criteria set forth in this document. The Offeror is cautioned that it is the Offeror's sole responsibility to submit all required information and that the State of Arizona is under no obligation to solicit such information if it is not included with the Offeror's proposal. Failure of the Offeror to submit such information may cause an adverse impact on the evaluation of the Offeror's proposal as to the responsiveness of the proposal and the responsibility of the Offeror. The Offeror must provide a firm, fixed price for all requirements set forth in this Request for Proposal.

Proposals will be evaluated using the following criteria:

I.	Organization and Staff Qualifications	25%
II.	Process and Approach	25%
III.	Relevant Experience	25%
IV.	Price	25%

3 Conformance to Scope of Work

In addition to responding to the questions contained in Exhibit “A”, the Offeror must present a written narrative which demonstrates the method or manner in which the Offeror proposes to satisfy the requirements of the Scope of Work. The language of the narrative should be straight forward and limited to fact, solutions to problems, and plans of proposed action.

UNIFORM INSTRUCTIONS TO OFFERORS

A. Definition of Terms. As used in these Instructions, the terms listed below are defined as follows:

1. “*Attachment*” means any item the Solicitation requires an Offeror to submit as part of the Offer.
2. “*Contract*” means the combination of the Solicitation, including the Uniform and Special Instructions to Offerors, the Uniform and Special Terms and Conditions, and the Specifications and Statement or Scope of Work; the Offer and any Best and Final Offers; and any Solicitation Amendments or Contract Amendments.
3. “*Contract Amendment*” means a written document signed by the State Treasurer that is issued for the purpose of making changes in the Contract.
4. “*Contractor*” means any person who has a Contract with the State.
5. “*Days*” means calendar days unless otherwise specified.
6. “*Exhibit*” means any item labeled as an Exhibit in the Solicitation or placed in the Exhibits section of the Solicitation.
7. “*Offer*” means bid, proposal or quotation.
8. “*Offeror*” means a vendor who responds to a Solicitation.
9. “*Solicitation*” means an Invitation for Bids (“IFB”), a Request for Proposals (“RFP”), or a Request for Quotations (“RFQ”).
10. “*Solicitation Amendment*” means a written document that is signed by the State Treasurer and issued for the purpose of making changes to the Solicitation.
11. “*Subcontract*” means any Contract, express or implied, between the Contractor and another party or between a subcontractor and another party delegating or assigning, in whole or in part, the making or furnishing of any material or my service required for the performance of the Contract.
12. “*State*” means the State of Arizona and Department or Agency of the State that executes the Contract.

B. Inquiries

1. Duty to Examine. It is the responsibility of each Offeror to examine the entire Solicitation, seek clarification in writing (inquiries), and examine its’ Offer for accuracy before submitting the Offer. Lack of care in preparing an Offer shall not be grounds for modifying or withdrawing the Offer after the Offer due date and time, nor shall it give rise to any Contract claim.
2. Solicitation Contact Person. Any inquiry related to a Solicitation, including any requests for or inquiries regarding standards referenced in the Solicitation shall be directed solely to the Solicitation contact person. The Offeror shall not contact or direct inquiries concerning this Solicitation to any other State employee unless the

Solicitation specifically identifies a person other than the Solicitation contact person as a contact.

3. Submission of Inquiries. The State Treasurer or the person identified in the Solicitation as the contact for inquiries requires that an inquiry be submitted in writing. Any inquiry related to a Solicitation shall refer to the appropriate Solicitation number, page and paragraph. Do not place the Solicitation number on the outside of the envelope containing that inquiry, since it may then be identified as an Offer and not be opened until after the Offer due date and time. The State shall consider the relevancy of the inquiry but is not required to respond in writing.
4. Timeliness. Any inquiry or exception to the solicitation shall be submitted as soon as possible and should be submitted at least seven days before the Offer due date and time for review and determination by the State. Failure to do so may result in the inquiry not being considered for a Solicitation Amendment.
5. No Right to Rely on Verbal Responses. An Offeror shall not rely on verbal responses to inquiries. A verbal reply to an inquiry does not constitute a modification of the solicitation.
6. Solicitation Amendments. The Solicitation shall only be modified by a Solicitation Amendment.
7. Pre-Offer Conference. If a pre-Offer conference has been scheduled under this Solicitation, the date, time and location shall appear on the Solicitation cover sheet or elsewhere in the Solicitation. Offerors should raise any questions about the Solicitation or the procurement at that time. An Offeror may not rely on any verbal responses to questions at the conference. Material issues raised at the conference that result in changes to the Solicitation shall be answered solely through a written Solicitation Amendment.
8. Persons With Disabilities. Persons with a disability may request a reasonable accommodation, such as a sign language interpreter, by contacting the Solicitation contact person. Requests shall be made as early as possible to allow time to arrange the accommodation.

C. Offer Preparation

1. Forms: No Facsimile, Telegraphic or Electronic Mail Offers. An Offer shall be submitted either on the forms provided in this Solicitation or their substantial equivalent. Any substitute document for the forms provided in this Solicitation must be legible and contain the same information requested on the forms, unless the solicitation indicates otherwise. A facsimile, telegraphic, mailgram or

electronic mail Offer shall be rejected if submitted in response to requests for proposals or invitations for bids.

2. Typed or Ink; Corrections. The Offer shall be typed or in ink. Erasures, interlineations or other modifications in the Offer shall be initialed in ink by the person signing the Offer. Modifications shall not be permitted after Offers have been opened except as otherwise provided under applicable law.
3. Evidence of Intent to be Bound. The Offer and Acceptance form within the Solicitation shall be submitted with the Offer and shall include a signature (or acknowledgement for electronic submissions, when authorized) by a person authorized to sign the Offer. The signature shall signify the Offeror's intent to be bound by the Offer and the terms of the Solicitation and that the information provided is true, accurate and complete. Failure to submit verifiable evidence of intent to be bound, such as an original signature, shall result in rejection of the Offer.
4. Exceptions to Terms and Conditions. All exceptions included with the Offer shall be submitted in a clearly identified separate section of the Offer in which the Offeror clearly identifies the specific paragraphs of the Solicitation where the exceptions occur. Any exceptions not included in such a section shall be without force and effect in any resulting Contract unless such exception is specifically accepted by the State Treasurer in a written statement. The Offeror's preprinted or standard terms will not be considered by the State as a part of any resulting Contract.
 - 4.1 Invitation for Bids. An Offer that takes exception to a material requirement of any part of the Solicitation, including terms and conditions, shall be rejected.
 - 4.2 Request for Proposals. All exceptions that are contained in the Offer may negatively affect the State's proposal evaluation based on the evaluation criteria stated in the Solicitation or result in rejection of the Offer. An offer that takes exception to any material requirement of the solicitation may be rejected.
5. Subcontracts. Offeror shall clearly list any proposed subcontractors and the subcontractor's proposed responsibilities in the Offer.
6. Cost of Offer Preparation. The State will not reimburse any Offeror the cost of responding to a Solicitation.
7. Solicitation Amendments. Each Solicitation Amendment shall be signed with an original signature by the person signing the Offer, and shall be submitted no later than the Offer due date and time. Failure to return a signed copy of a Solicitation Amendment may result in rejection of the Offer.

8. Federal Excise Tax. The State of Arizona is exempt from certain Federal Excise Tax on manufactured goods. Exemption Certificates will be provided by the State.
9. Provision of Tax Identification Numbers. Offerors are required to provide their Arizona Transaction Privilege Tax Number and/or Federal Tax Identification number in the space provided on the Offer and Acceptance Form.
 - 9.1 Employee Identification. Offeror agrees to provide an employee identification number or social security number to the Department for the purposes of reporting to appropriate taxing authorities, monies paid by the Department under this contract. If the federal identifier of the Offeror is a social security number, this number is being requested solely for tax reporting purposes and will be shared only with appropriate state and federal officials. This submission is mandatory under 26 U.S.C. § 6041A.
10. Identification of Taxes in Offer. The State of Arizona is subject to all applicable state and local transaction privilege taxes. All applicable taxes shall be included in the pricing offered in the solicitation. At all times, payment of taxes and the determination of applicable taxes are the sole responsibility of the contractor.
11. Disclosure. If the firm, business or person submitting this Offer has been debarred, suspended or otherwise lawfully precluded from participating in any public procurement activity, including being disapproved as a subcontractor with any Federal, state or local government, or if any such preclusion from participation from any public procurement activity is currently pending, the Offeror shall fully explain the circumstances relating to the preclusion or proposed preclusion in the Offer. The Offeror shall include a letter with its Offer setting forth the name and address of the governmental unit, the effective date of this suspension or debarment, the duration of the suspension or debarment, and the relevant circumstances relating to the suspension or debarment. If suspension or debarment is currently pending, a detailed description of all relevant circumstances including the details enumerated above shall be provided.
12. Solicitation Order of Precedence. In the event of a conflict in the provisions of this Solicitation, the following shall prevail in the order set forth below:
 - 12.1 Special Terms and Conditions;
 - 12.2 Uniform Terms and Conditions;
 - 12.3 Statement or Scope of Work;
 - 12.4 Specifications;
 - 12.5 Attachments;
 - 12.6 Exhibits;
 - 12.7 Special Instructions to Offerors;
 - 12.8 Uniform Instructions to Offerors;

12.9 Other documents referenced or included in the Solicitation.

13. Delivery. Unless stated otherwise in the Solicitation, all prices shall be F.O.B. Destination and shall include all freight, delivery and unloading at the destination(s).

D. Submission of Offer

1. Sealed Envelope or Package. Each Offer shall be submitted to the submittal location identified in this Solicitation. Offers should be submitted in a sealed envelope or container. The envelope or container should be clearly identified with name of the Offeror and Solicitation number. The State may open envelopes or containers to identify contents if the envelope or container is not clearly identified.
2. Offer Amendment or Withdrawal. An Offer may not be amended or withdrawn after the Offer due date and time except as otherwise provided under applicable law.
3. Public Record. All Offers submitted and opened are public records and must be retained by the State. Offers shall be open to public inspection after Contract award, except for such Offers deemed to be confidential by the State. If an Offeror believes that information in its Offer should remain confidential, it shall indicate as confidential the specific information and submit a statement with its Offer detailing the reasons that the information should not be disclosed. Such reasons shall include the specific harm or prejudice which may arise. The State shall determine whether the identified information is confidential pursuant to the Arizona Procurement Code.
4. Non-collusion, Employment, and Services. By signing the Offer and Acceptance Form or other official contract form, the Offeror certifies that:

4.1 The Offeror did not engage in collusion or other anti-competitive practices in connection with the preparation or submission of its Offer; and

4.2 The Offeror does not discriminate against any employee or applicant for employment or person to whom it provides services because of race, color, religion, sex, national origin, or disability, and that it complies with all applicable Federal, state and local laws and executive orders regarding employment.

E. Evaluation

1. Unit Price Prevails. In the case of discrepancy between the unit price or rate and the extension of that unit price or rate, the unit price or rate shall govern.

2. Prompt Payment Discount. Prompt payment discounts of thirty (30) days or more set forth in an Offer shall be deducted from the offer for the purposes of evaluating that price.
3. Late Offers. An Offer submitted after the exact Offer due date and time shall be rejected.
4. Disqualification. An Offeror (including each of its principals) who is currently debarred, suspended or otherwise lawfully prohibited from any public procurement activity shall have its offer rejected.
5. Offer Acceptance Period. An Offeror submitting an Offer under this Solicitation shall hold its Offer open for the number of days from the Offer due date that is stated in the Solicitation. If the Solicitation does not specifically state a number of days for Offer acceptance, the number of days shall be one hundred-twenty (120). If a Best and Final Offer is requested pursuant to a Request for Proposals, an Offeror shall hold its Offer open for one hundred-twenty (120) days from the Best and Final Offer due date.

5.1 Waiver and Rejection Rights. Notwithstanding any other provision of the Solicitation, the State reserves the right to:

- 5.1.1 Waive any minor informality;
- 5.1.2 Reject any and all Offers or portions thereof; or
- 5.1.3 Cancel the Solicitation.

F. Award

1. Number or Types of Awards. The State reserves the right to make multiple awards or to award a Contract by individual line items or alternatives, by group of line items or alternatives, or to make an aggregate award, or regional awards, whichever is most advantageous to the State. If the State Treasurer determines that an aggregate award to one Offeror is not in the State's best interest, "all or none" Offers shall be rejected.
2. Contract inception. An Offer does not constitute a Contract nor does it confer any rights on the Offeror to the award of a Contract. A Contract is not created until the Offer is accepted in writing by the State Treasurer's signature on the Offer and Acceptance Form. A notice of award or of the intent to award shall not constitute acceptance of the Offer.
3. Effective Date. The effective date of this Contract shall be the date that the State Treasurer signs the Offer and Acceptance form or other official contract form, unless another date is specifically stated in the Contract.

G. Protests.

A protest shall comply with and be resolved according to Arizona Revised Statutes Title 41, Chapter 23, Article 9 and rules adopted there under. Protests shall be in writing and be filed with both the State Treasurer and with the State Procurement Administrator. A protest of a Solicitation shall be received by the State Treasurer before the Offer due date. A protest of a proposed award or of an award shall be filed within ten (10) days after the protester knows or should have known the basis of the protest. A protest shall include:

- 1.1 The name, address and telephone number of the protester;
- 1.2 The signature of the protester or its representative;
- 1.3 Identification of the purchasing agency and the Solicitation or Contract number;
- 1.4 A detailed statement of the legal and factual grounds of the protest including copies of relevant documents; and
- 1.5 The form of relief requested.

SPECIAL TERMS AND CONDITIONS

1 Term of Contract

- 1.1 The term of contract shall commence from May 15, 2007 and shall remain in effect until October 31, 2007 unless terminated, canceled or extended as otherwise provided herein.
- 1.2 The contract shall not bind nor purport to bind, the State for any contractual commitment in excess of the original contract period.

2 Federal Immigration and Nationality Act

The contractor shall comply with all federal, state and local immigration laws and regulations relating to the immigration status of their employees during the term of the contract. Further, the contractor shall flow down this requirement to all subcontractors utilized during the term of the contract. The State shall retain the right to perform random audits of contractor and subcontractor records or to inspect papers of any employee thereof to ensure compliance. Should the State determine that the contractor and/or any subcontractors be found noncompliant, the State may pursue all remedies allowed by law, including, but not limited to; suspension of work, termination of the contract for default and suspension and/or debarment of the contractor.

UNIFORM TERMS AND CONDITIONS

1 Definition of Terms. As used in this Solicitation and any resulting Contract, the terms listed below are defined as follows:

- 1.1 “Attachment” means any item the Solicitation requires the Offeror to submit as part of the Offer.
- 1.2 “Contract” means the combination of the Solicitation, including the Uniform and Special Instructions to Offerors, the Uniform and Special Terms and Conditions, and the Specifications and Statement of Scope of Work; the Offer and any Best and Final Offers; and any Solicitation Amendments or Contract Amendments.
- 1.3 “Contract Amendment” means a written document signed by the State Treasurer that is issued for the purpose of making changes in the Contract.
- 1.4 “Contractor” means any person who has a Contract with the State.
- 1.5 “Days” means calendar days unless otherwise specified.
- 1.6 “Exhibit” means any item labeled as an Exhibit in the Solicitation or placed in the Exhibits section of the Solicitation.
- 1.7 “Gratuity” means a payment, loan, subscription, advance, deposit of money, services, or anything of more than nominal value, present or promised, unless consideration of substantially equal or greater value is received.
- 1.8 “Materials” means all property, including equipment, supplies, printing, insurance and leases of property but does not include land, a permanent interest in land or real property or leasing space.
- 1.9 “Procurement Officer” means the person, or his or her designee, duly authorized by the State to enter into and administer Contracts and make written determinations with respect to the Contract.
- 1.10 “Services” means the furnishing of labor, time or effort by a contractor or subcontractor which does not involve the delivery of a specific end product other than required reports and performance, but does not include employment agreements or collective bargaining agreements.
- 1.11 “Subcontract” means any Contract, express or implied, between the Contractor and another party or between a subcontractor and another party delegating or assigning, in whole or in part, the making or furnishing of any material or any service required for the performance of the Contract.
- 1.12 “State” means the State of Arizona and Department or Agency of the State that executes the Contract.
- 1.13 “State Fiscal Year” means the period beginning with July 1 and ending June 30.

2 Contract Interpretation

- 2.1 Arizona Law. The Arizona law applies to this Contract including, where applicable, the Uniform Commercial Code as adopted by the State of Arizona and the Arizona Procurement Code, Arizona Revised Statutes (A.R.S.) Title 41, Chapter 23, and its implementing rules, Arizona Administrative Code (A.A.C.)

Title 2, Chapter 7.

- 2.2 Implied Contract Terms. Each provision of law and any terms required by law to be in this Contract are a part of this Contract as if fully stated in it.
- 2.3 Contract Order of Precedence. In the event of a conflict in the provisions of the Contract, as accepted by the State and as they may be amended, the following shall prevail in the order set forth below:
- 2.3.1 Special Terms and Conditions;
 - 2.3.2 Uniform Terms and Conditions;
 - 2.3.3 Statement or Scope of Work;
 - 2.3.4 Specifications;
 - 2.3.5 Attachments;
 - 2.3.6 Exhibits;
 - 2.3.7 Documents referenced or included in the Solicitation.
- 2.4 Relationship of Parties. The Contractor under this Contract is an independent Contractor. Neither party to this Contract shall be deemed to be the employee or agent of the other party to the Contract.
- 2.5 Severability. The provisions of this Contract are severable. Any term or condition deemed illegal or invalid shall not affect any other term or condition of the Contract.
- 2.6 No Parole Evidence. This Contract is intended by the parties as a final and complete expression of their agreement. No course of prior dealings between the parties and no usage of the trade shall supplement or explain any terms used in this document and no other understanding either oral or in writing shall be binding.
- 2.7 No Waiver. Either party's failure to insist on strict performance of any term or condition of the Contract shall not be deemed a waiver of that term or condition even if the party accepting or acquiescing in the nonconforming performance knows of the nature of the performance and fails to object to it.

3 Contract administration and operation.

- 3.1 Records. Under A.R.S. § 35-214 and § 35-215, the Contractor shall retain and shall contractually require each subcontractor to retain all data and other "records" relating to the acquisition and performance of the Contract for a period of five years after the completion of the Contract. All records shall be subject to inspection and audit by the State at reasonable times. Upon request, the Contractor shall produce a legible copy of any or all such records.

- 3.2 Non-Discrimination. The Contractor shall comply with State Executive Order No. 99-4 and all other applicable Federal and State laws, rules and regulations, including the Americans with Disabilities Act.
- 3.3 Audit. Pursuant to ARS § 35-214, at any time during the term of this Contract and five (5) years thereafter, the Contractor's or any subcontractor's books and records shall be subject to audit by the State and, where applicable, the Federal Government, to the extent that the books and records relate to the performance of the Contract or Subcontract.
- 3.4 Notices. Notices to the Contractor required by this Contract shall be made by the State to the person indicated on the Offer and Acceptance form submitted by the Contractor unless otherwise stated in the Contract. Notices to the State required by the Contract shall be made by the Contractor to the Solicitation Contact Person indicated on the Solicitation cover sheet, unless otherwise stated in the Contract. The State Treasurer and an authorized Contractor representative may change their respective person to whom notice shall be given by written notice to the other and an amendment to the Contract shall not be necessary.
- 3.5 Advertising, Publishing and Promotion of Contract. The Contractor shall not use, advertise or promote information for commercial benefit concerning this Contract without the prior written approval of the State Treasurer.
- 3.6 Property of the State. Any materials, including reports, computer programs and other deliverables, created under this Contract are the sole property of the State. The Contractor is not entitled to a patent or copyright on those materials and may not transfer the patent or copyright to anyone else. The Contractor shall not use or release these materials without the prior written consent of the State.
- 3.7 Ownership of Intellectual Property. Any and all intellectual property, including but not limited to copyright, invention, trademark, trade name, service mark, and/or trade secrets created or conceived pursuant to or as a result of this contract and any related subcontract ("Intellectual Property"), shall be work made for hire and the State shall be considered the creator of such Intellectual Property. The agency, department, division, board or commission of the State of Arizona requesting the issuance of the contract shall own (for and on behalf of the State) the entire right, title and interest to the Intellectual Property throughout the world. Contractor shall notify the State, within thirty (30) days, of the creation of any Intellectual Property by it or its subcontractor(s). Contractor, on behalf of itself and any subcontractor(s), agrees to execute any and all document(s) necessary to assure ownership of the Intellectual Property vests in the State and shall take no affirmative actions that might have the effect of vesting all or part of the Intellectual Property in any entity other than the State. The Intellectual Property shall not be disclosed by contractor or its subcontractor(s) to any entity not the

State without the express written authorization of the agency, department, division, board or commission of the State of Arizona requesting the issuance of this contract.

4 Costs and Payments

4.1 Payments. Payments shall comply with the requirements of A.R.S. Titles 35 and 41, Net 30 days. Upon receipt and acceptance of goods or services, the Contractor shall submit a complete and accurate invoice for payment from the State within thirty (30) days.

4.2 Applicable Taxes.

4.2.1 Payment of Taxes. The Contractor shall be responsible for paying all applicable taxes.

4.2.2 State and Local Transaction Privilege Taxes. The State of Arizona is subject to all applicable state and local transaction privilege taxes. Transaction privilege taxes apply to the sale and are the responsibility of the seller to remit. Failure to collect such taxes from the buyer does not relieve the seller from its obligation to remit taxes.

4.2.3 Tax Indemnification. Contractor and all subcontractors shall pay all Federal, state and local taxes applicable to its operation and any persons employed by the Contractor. Contractor shall, and require all subcontractors to hold the State harmless from any responsibility for taxes, damages and interest, if applicable, contributions required under Federal, and/or state and local laws and regulations and any other costs including transaction privilege taxes, unemployment compensation insurance, Social Security and Worker's Compensation.

4.2.4 IRS W9 Form. In order to receive payment the Contractor shall have a current IRS W9 Form on file with the State of Arizona, unless not required by law.

4.3 Availability of Funds for the Next State fiscal year. Funds may not presently be available for performance under this Contract beyond the current state fiscal year. No legal liability on the part of the State for any payment may arise under this Contract beyond the current state fiscal year until funds are made available for performance of this Contract.

4.4 Availability of Funds for the current State fiscal year. Should the State Legislature enter back into session and reduce the appropriations or for any reason and these goods or services are not funded, the State may take any of the following actions:

4.4.1 Accept a decrease in price offered by the, contractor;

- 4.4.2 Cancel the Contract;
- 4.4.3 Cancel the Contract and re-solicit the requirements.

5 Contract changes

- 5.1 Amendments. This Contract is issued under the authority of ARS 35-315 and the State Treasurer who signed this Contract. The Contract may be modified only through a Contract Amendment within the scope of the Contract. Changes to the Contract, including the addition of work or materials, the revision of payment terms, or the substitution of work or materials, directed by a person who is not specifically authorized by the State Treasurer in writing or made unilaterally by the Contractor are violations of the Contract and of applicable law. Such changes, including unauthorized written Contract Amendments shall be void and without effect, and the Contractor shall not be entitled to any claim under this Contract based on those changes.
- 5.2 Subcontracts. The Contractor shall not enter into any Subcontract under this Contract for the performance of this contract without the advance written approval of the State Treasurer. The Contractor shall clearly list any proposed subcontractors and the subcontractor's proposed responsibilities. The Subcontract shall incorporate by reference the terms and conditions of this Contract.
- 5.3 Assignment and Delegation. The Contractor shall not assign any right nor delegate any duty under this Contract without the prior written approval of the State Treasurer. The State shall not unreasonably withhold approval.

6 Risk and Liability

- 6.1 Risk of Loss. The Contractor shall bear all loss of conforming material covered under this Contract until received by authorized personnel at the location designated in the purchase order or Contract. Mere receipt does not constitute final acceptance. The risk of loss for nonconforming materials shall remain with the Contractor regardless of receipt.
- 6.2 Indemnification
 - 6.2.1 Contractor/Vendor Indemnification (Not Public Agency). The parties to this contract agree that the State of Arizona, its' departments, agencies, boards and commissions shall be indemnified and held harmless by the contractor for the vicarious liability of the State as a result of entering into this contract. However, the parties further agree that the State of Arizona, its' departments, agencies, boards and commissions shall be responsible for its' own negligence. Each party to this contract is responsible for its' own negligence.

6.2.2 Public Agency Language Only. Each party (as 'indemnitor') agrees to indemnify, defend, and hold harmless the other party (as 'indemnitee') from and against any and all claims, losses, liability, costs, or expenses (including reasonable attorney's fees) (hereinafter collectively referred to as 'claims') arising out of bodily injury of any person (including death) or property damage but only to the extent that such claims which result in vicarious/derivative liability to the indemnitee, are caused by the act, omission, negligence, misconduct, or other fault of the indemnitor, its' officers, officials, agents, employees, or volunteers.

6.3 Indemnification - Patent and Copyright. The Contractor shall indemnify and hold harmless the State against any liability, including costs and expenses, for infringement of any patent, trademark or copyright arising out of Contract performance or use by the State of materials furnished or work performed under this Contract. The State shall reasonably notify the Contractor of any claim for which it may be liable under this paragraph. If the contractor is insured pursuant to A R S § 41-621 and § 35-154, this section shall not apply.

6.4 Force Maieure.

6.4.1 Except for payment of sums due, neither party shall be liable to the other nor deemed in default under this Contract if and to the extent that such party's performance of this Contract is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the party affected and occurs without its fault or negligence. Without limiting the foregoing, force majeure includes acts of God; acts of the public enemy; war; riots; strikes; mobilization; labor disputes; civil disorders; fire; flood; lockouts; injunctions-intervention-acts; or failures or refusals to act by government authority; and other similar occurrences beyond the control of the party declaring force majeure which such party is unable to prevent by exercising reasonable diligence.

6.4.2 Force Majeure shall not include the following occurrences:

6.4.2.1 Late delivery of equipment or materials caused by congestion at a manufacturer's plant or elsewhere, or an oversold condition of the market;

6.4.2.2 Late performance by a subcontractor unless the delay arises out of a force majeure occurrence in accordance with this force majeure term and condition; or 6.4.2.3 Inability of either the Contractor or any

subcontractor to acquire or maintain any required insurance, bonds, licenses or permits.

6.4.3 If either party is delayed at any time in the progress of the work by force majeure, the delayed party shall notify the other party in writing of such delay, as soon as is practicable and no later than the following working day, of the commencement thereof and shall specify the causes of such

delay in such notice. Such notice shall be delivered or mailed certified-return receipt and shall make a specific reference to this article, thereby invoking its provisions. The delayed party shall cause such delay to cease as soon as practicable and shall notify the other party in writing when it has done so. The time of completion shall be extended by Contract Amendment for a period of time equal to the time that results or effects of such delay prevent the delayed party from performing in accordance with this Contract.

6.4.4 Any delay or failure in performance by either party hereto shall not constitute default hereunder or give rise to any claim for damages or loss of anticipated profits if, and to the extent that such delay or failure is caused by force majeure.

6.5 Third Party Antitrust Violations. The Contractor assigns to the State any claim for overcharges resulting from antitrust violations to the extent that those violations concern materials or services applied by third parties to the Contractor, toward fulfillment of this Contract.

7 Warranties

7.1 Year 2000.

7.1.1 Notwithstanding any other warranty or disclaimer of warranty in this Contract, the Contractor warrants that all products delivered and all services rendered under this Contract shall comply in all respects to performance and delivery requirements of the specifications and shall not be adversely affected by any date-related data Year 2000 issues. This warranty shall survive the expiration or termination of this Contract. In addition, the defense of force majeure shall not apply to the Contractor's failure to perform specification requirements as a result of any date-related data Year 2000 issues.

7.1.2 Additionally, notwithstanding any other warranty or disclaimer of warranty in this Contract, the Contractor warrants that each hardware, software, and firmware product delivered under this Contract shall be able to accurately process date/time data (including but not limited to calculation, comparing, and sequencing) from, into, and between the twentieth and twenty-first centuries, and the years 1999 and 2000 and leap year calculations, to the extent that other information technology utilized by the State in combination with the information technology being acquired under this Contract properly exchanges date-time data with it. If this Contract requires that the information technology products being acquired perform as a system, or that the information technology products being acquired perform as a system in combination with other State information technology, then this warranty shall apply to the acquired products as a system.

The remedies available to the State for breach of this warranty shall include, but shall not be limited to, repair and replacement of the information technology products delivered under this Contract. In addition, the defense of force majeure shall not apply to the failure of the Contractor to perform any specification requirements as a result of any date-related data Year 2000 issues.

7.2 Compliance With Applicable Laws. The materials and services supplied under this Contract shall comply with all applicable Federal, state and local laws, and the Contractor shall maintain all applicable licenses and permit requirements.

7.3 Survival of Rights and Obligations after Contract Expiration or Termination.

7.3.1 Contractors Representations and Warranties. All representations and warranties made by the Contractor under this Contract shall survive the expiration or termination hereof. In addition, the parties hereto acknowledge that pursuant to A.R.S. § 12-510, except as provided in A.R.S. § 12-529, the State is not subject to or barred by any limitations of actions prescribed in A.R.S. Title 12, Chapter 5.

7.3.2 Purchase Orders. The Contractor shall, in accordance with all terms and conditions of the Contract, fully perform and shall be obligated to comply with all purchase orders received by the Contractor prior to the expiration or termination hereof, unless otherwise directed in writing by the State Treasurer, including, without limitation, all purchase orders received prior to but not fully performed and satisfied at the expiration or termination of this Contract.

8 State's Contractual Remedies

8.1 Right to Assurance. If the State in good faith has reason to believe that the Contractor does not intend to, or is unable to perform or continue performing under this Contract, the State Treasurer may demand in writing that the Contractor give a written assurance of intent to perform. Failure by the Contractor to provide written assurance within the number of Days specified in the demand may, at the State's option, be the basis for terminating the Contract under the Uniform Terms and Conditions or other rights and remedies available by law or provided by the contract.

8.2 Stop Work Order.

8.2.1 The State may, at any time, by written order to the Contractor, require the Contractor to stop all or any part, of the work called for by this Contract for period(s) of days indicated by the State after the order is delivered to the Contractor. The order shall be specifically identified as a stop work order issued under this clause. Upon receipt of the order, the Contractor shall immediately comply with its terms and take all reasonable steps to minimize the incurrence of

costs allocable to the work covered by the order during the period of work stoppage.

8.2.2 If a stop work order issued under this clause is canceled or the period of the order or any extension expires, the Contractor shall resume work. The State Treasurer shall make an equitable adjustment in the delivery schedule or Contract price, or both, and the Contract shall be amended in writing accordingly.

8.3 Non-exclusive Remedies. The rights and the remedies of the State under this Contract are not exclusive.

8.4 Nonconforming Tender. Materials or services supplied under this Contract shall fully comply with the Contract. The delivery of materials or services or a portion of the materials or services that do not fully comply constitutes a breach of contract. On delivery of nonconforming materials or services, the State may terminate the Contract for default under applicable termination clauses in the Contract, exercise any of its rights and remedies under the Uniform Commercial Code, or pursue any other right or remedy available to it.

8.5 Right of Offset. The State shall be entitled to offset against any sums due the Contractor, any expenses or costs incurred by the State, or damages assessed by the State concerning the Contractor's non-conforming performance or failure to perform the Contract, including expenses, costs and damages described in the Uniform Terms and Conditions.

9 Contract Termination

9.1 Cancellation for Conflict of Interest. Pursuant to A.R.S. § 38-511, the State may cancel this Contract at any time after Contract execution without penalty or further obligation if any person significantly involved in initiating, negotiating, securing, drafting or creating the Contract on behalf of the State is or becomes at any time while the Contract or an extension of the Contract is in effect an employee of or a consultant to any other party to this Contract with respect to the subject matter of the Contract. The cancellation shall be effective when the Contractor receives written notice of the cancellation unless the notice specifies a later time. If the Contractor is a political subdivision of the State, it may also cancel this Contract as provided in A.R.S. § 38-511.

9.2 Gratuities. The State may, by written notice, terminate this Contract, in whole or in part, if the State determines that employment or a Gratuity was offered or made by the Contractor or a representative of the Contractor to any officer or employee of the State for the purpose of influencing the outcome of the procurement or securing the Contract, an amendment to the Contract, or favorable treatment concerning the Contract, including the making of any determination or decision

about contract performance. The State, in addition to any other rights or remedies, shall be entitled to recover exemplary damages in the amount of three times the value of the Gratuity offered by the Contractor.

- 9.3 Suspension or Debarment. The State may, by written notice to the Contractor, immediately terminate this Contract if the State determines that the Contractor has been debarred, suspended or otherwise lawfully prohibited from participating in any public procurement activity, including but not limited to, being disapproved as a subcontractor of any public procurement unit or other governmental body. Submittal of an offer or execution of a contract shall attest that the contractor is not currently suspended or debarred. If the contractor becomes suspended or debarred, the contractor shall immediately notify the State.
- 9.4 Termination for Convenience. The State reserves the right to terminate the Contract in whole or in part at any time, when in the best interests of the State without penalty or recourse. Upon receipt of the written notice, the Contractor shall stop all work, as directed in the notice, notify all subcontractors of the effective date of the termination and minimize all further costs to the State. In the event of termination under this paragraph, all documents, data and reports prepared by the Contractor under the Contract shall become the property of and be delivered to the State upon demand. The Contractor shall be entitled to receive just and equitable compensation for work in progress, work completed and materials accepted before the effective date of the termination. The cost principles and procedures provided in A.A.C. R2-7-701 shall apply.
- 9.5 Termination for Default.
- 9.5.1 In addition to the rights reserved in the contract, the State may terminate the Contract in whole or in part due to the failure of the Contractor to comply with any term or condition of the Contract, to acquire and maintain all required insurance policies, bonds, licenses and permits, or to make satisfactory progress in performing the Contract. The State Treasurer shall provide written notice of the termination and the reasons for it to the Contractor.
- 9.5.2 Upon termination under this paragraph, all goods, materials, documents, data and reports prepared by the Contractor under the Contract shall become the property of and be delivered to the State on demand.
- 9.5.3 The State may, upon termination of this Contract, procure, on terms and in the manner that it deems appropriate, materials or services to replace those under this Contract. The Contractor shall be liable to the State for any excess costs incurred by the State in procuring materials or services in substitution for those due from the Contractor.
- 9.6 Continuation of Performance Through Termination. The Contractor shall continue to perform, in accordance with the requirements of the Contract, up to the date of

termination, as directed in the termination notice.

- 10 Arbitration.** The parties to this Contract agree to resolve all disputes arising out of or relating to this contract through arbitration, after exhausting applicable administrative review, to the extent required by A.R.S § 12-1518, except as may be required by other applicable statutes (Title 41).

SCOPE OF WORK

A. PURPOSE

This Request for Proposal is issued by Arizona State Treasurer's Office for the purpose of hiring one (1) financial investment consulting and advisory firm. The Advisor/Consultant ("Advisor") will provide evaluation and consulting services relating to the Arizona State Treasurer's Office's investment pools and the Arizona State Endowment Fund for the period January 2003 through December 2006. The Advisor will also provide evaluation of the current asset allocation of the pools and endowment as well as provide recommendations on long-term investment policy, objectives, strategy, and re-balancing policies. The Advisor will also provide advice on systems and operations of the investment management and investment accounting divisions of the Office.

B. MINIMUM REQUIREMENTS

To be considered as an Advisor for the purpose stated above, Advisor must meet the following minimum requirements:

1. Must have provided full investment consulting services to clients with aggregate assets totaling at least \$5 billion, having at least one public sector client with at least \$5 billion in assets and must have a minimum five (5) year track record providing investment advisory services to public or private funds, endowments, foundations or pensions; or direct experience in managing the investments of public or private funds, endowments, foundations or pensions of comparable size.

C. OVERVIEW

The ASTO internally manages approximately \$12 billion in 26 investment pools, a 58% increase from the \$7.6 billion managed in Fiscal Year 2004. The majority of investments, 90 percent, are in fixed income with the remaining in equities. Equity investments are designed to mirror the S & P 500 and 400 indexes. Statutory restrictions exist as to the mix of investments that can be made.

D. SCOPE OF SERVICES

The Advisor will be required to provide the following scope of services with consideration for Arizona Revised Statutes and Policies of the Board of Investment that determine the operation of these pools:

1. Evaluate the performance of the investment pools relative to benchmarks from January 2003 through December 2006. This will include an analysis of particular

trades made during the period of January 2003 through December 2006 as identified by ASTO staff.

2. Evaluate the asset allocation strategy, between equities and fixed income, in managing the Investment Pools and State Endowment Funds from January 2003 through December 2006. Determine the opportunity cost of limiting equity exposure in the Endowment Fund to a 50/50 split between fixed income and equities versus the previous policy of moving toward a 60/40 split of equities/ fixed income from March 2003 to present.
3. Evaluate the current asset allocation strategy in managing the Investment Pools and State Endowment Funds.
4. Evaluate the current rebalancing strategies in managing the Investment Pools and State Endowment Funds.
5. Provide recommendations regarding potential modifications to the asset allocation strategies, risk assessment, performance attributes and rebalancing strategies in conformity with the Arizona Constitution, Arizona Revised Statutes, and the Investment Policy.
6. Provide recommendations concerning securities lending strategies.
7. Provide recommendations on analytical systems and platforms for investment management and investment accounting.
8. Other related analyses. Any such analyses would be considered optional and outside the bid price. Offeror shall quote an hourly rate to provide these services.

EXHIBIT A

In addition to the completing this questionnaire, please provide the following:

- organizational chart
- biographies of the firm's key principals, executives and investment staff (years with the firm, investment experience, education, etc.)
- examples of any reports that you commonly share with your advisory clients (e.g., position reports, risk/exposure reports, asset allocation reports, optimization reports, etc.)

DATE:

I. CONTACT INFORMATION

Firm domicile / jurisdiction	
Legal headquarters address	
Headquarters address	
Headquarters phone	
Headquarters fax	
Satellite offices (city/country) and functions	

	Name	City	Phone	E-mail
Key contact person				
Person completing questionnaire				
Head of client relations				
Chief Executive Officer				

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II. PEOPLE & ORGANIZATION

(a) Firm structure & management

- 1 Please describe the history of your firm.
e.g., Who were the founders of the firm, and are they still active? How long has the primary Advisory team been together? etc.
- 2 Does the firm have any affiliates and/or related entities? If so, describe the relationship and the % equity of the firm that is owned by affiliates/related entities.
- 3 What is the ownership structure of your organization, including names of the firm's principals and % equity ownership in the firm? Please elaborate on the financial stake that your principals and Advisory team have in your firm.
- 4 Are any principals involved in other businesses? If so, how much time is devoted and what is the nature of the business?
- 5 Are any of the principles or key staff related? Does the firm do business with outside vendors with family connections?
- 6 What are the current and future priorities for the firm? (e.g., increase staffing, implementing new trading strategies/programs)

(b) Key Personnel

- 1 List all key NON-advisory staff (e.g., CFO, COO, head of risk, etc), including number of years with the firm and prior experience.
If your firm bios cover this information, please attach as a separate document.
- 2 List all key advisory staff, including number of years with the firm and prior investment experience.
If your firm bios cover this information, please attach as a separate document.

(c) List Your Regulatory Registrations

	Year Registered	Any issues / violations?
Commodity Pool Operator?		
Commodity Trading Advisor?		
Investment Advisor? (1940 Act, SEC Form ADV)		
Investment Company?		
Broker-Dealer or Introducing Broker?		
Futures Commission Merchant?		
Other: specify		

(d) Compliance

- 1 Who handles compliance issues? (e.g., CFO, internal general counsel, internal compliance officer)
- 2 Are your financial statements reviewed/audited by external auditors? Please elaborate on any material issues from the past 3 years audits.
- 3 Has your firm changed auditors over the past 3 years? If so, explain the reason for the change and provide the name of the predecessor auditor.
- 4 Are there any lawsuits or criminal, legal, regulatory, arbitration or administrative proceedings pending or threatened against the firm (or any predecessor firms) or any of its principals, or have there ever been any? Has the firm or any of its employees had any disputes over non-compete, non-disclosure, or similar covenants? If so, please explain.
- 5 How do you ensure compliance with conflict of interest issues?
- 6 Please describe any relationships you have which could be conceived as having the potential for a conflict of interest?

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III. ADVISORY

1	Describe the firm's advisory and review process as it pertains to: Performance and Risk Evaluation Current Office of the State Treasurer Investment Policy Risk and Return Optimization Fiduciary Compliance
2	Describe the qualitative and quantitative criteria used in the review process.
3	What type of information/support from the ASTO will be required to complete the Advisory engagement?
4	Have you reviewed and do you understand the ASTO investment policy?
5	What are the primary reasons for recommending changes in portfolio asset allocations?
6	Are there any items not covered in the section above which may be material to the engagement process?

IV. AUDIT, LEGAL & ADMINISTRATION

* NOTE: if you have this data in a separate document, please attach in lieu of completing this section

INDEPENDENT AUDITOR		Year of first audit of your firm by this auditor:
Name		
Company		
Position / Title		
Phone Number		
Address		

LEGAL COUNSEL – ONSHORE	
Name	
Company	
Position / Title	
Phone Number	
Address	

LEGAL COUNSEL – OFFSHORE	
Name	
Company	
Position / Title	
Phone Number	
Address	

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V. PROFESSIONAL AND CLIENT REFERENCES

* NOTE: if you have this data in a separate document, please attach in lieu of completing this section

REFERENCE #1	
Company	
Position / Title	
Phone Number	
Address	
Relationship to Manager	

REFERENCE #2	
Company	
Position / Title	
Phone Number	
Address	
Relationship to Manager	

REFERENCE #3	
Company	
Position / Title	
Phone Number	
Address	
Relationship to Manager	

REFERENCE #4	
Company	
Position / Title	
Phone Number	
Address	
Relationship to Manager	

REFERENCE #5	
Company	
Position / Title	
Phone Number	
Address	
Relationship to Manager	

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VI. MOST RECENTLY ACQUIRED CLIENTS

* NOTE: if you have this data in a separate document, please attach in lieu of completing this section

CLIENT REFERENCE #1	
Company	
Position / Title	
Phone Number	
Address	
Date Relationship Began	

CLIENT REFERENCE #2	
Company	
Position / Title	
Phone Number	
Address	
Date Relationship Began	

CLIENT REFERENCE #3	
Company	
Position / Title	
Phone Number	
Address	
Date Relationship Began	

CLIENT REFERENCE #4	
Company	
Position / Title	
Phone Number	
Address	
Date Relationship Began	

CLIENT REFERENCE #5	
Company	
Position / Title	
Phone Number	
Address	
Date Relationship Began	